

Contract Summary (Under Construction)

While the summary for this contract is being created, you can navigate between the amendments and the original contract by clicking on the appropriate link below. All summaries completed prior to 10/1/96 are in the process of being updated to include this feature. This change reflects feedback received on system development. Your continued comments and input are greatly appreciated.

[Click here to go to Amendment 5](#)

[Click here to go to Amendment 4](#)

[Click here to go to Amendment 1](#)

[Click here to go to the original contract](#)

ORIGINAL

Writer's Direct Dial
202-775-4783
Joan_M._Darby@dsmilp.com

**MEMORANDUM**

TO: David Foote
FROM: Joan M. Darby *JMD*
DATE: May 17, 1996
RE: Amendment to Boundary Gas, Inc. Gas Sales Agreement

Please find enclosed for your contract files a fully executed original of the March 8, 1996 Amendment to Boundary Gas Sales Agreement regarding the Chippawa Point of Delivery for National Fuel's volumes. Please call if you have any questions.

Enclosure



BOUNDARY GAS, INC.
ONE BOWDOIN SQUARE
BOSTON, MASSACHUSETTS 02114
TELEPHONE: (617) 227-8080
FAX (617) 227-2690
TELEX 95-1459

March 8, 1996

David Foote
Fitchburg Gas & Electric Light Company
216 Epping Road
Exeter, NH 03833

Rc: Amendment to Boundary Gas Sales Agreement

Dear Mr. Foote:

The Gas Purchase Contract between Boundary Gas, Inc. ("Boundary") and TransCanada PipeLines Limited ("TransCanada") dated September 14, 1987, as amended ("Purchase Contract"), has been amended to facilitate, permanently on a firm basis, the delivery of the daily share of the Boundary volumes of National Fuel Gas Distribution Corporation ("National Fuel") to the point of interconnection between TransCanada and Empire State Pipeline ("Empire") at Chippawa, Ontario.

A copy of the March 6, 1996 Letter Amendment between Boundary and TransCanada ("Letter Amendment"), is attached hereto. This amendment to the Purchase Contract requires corresponding amendments to the Phase 2 Gas Sales Agreement between Boundary and Fitchburg Gas & Electric Light Company ("Fitchburg") dated September 14, 1987, as amended ("Gas Sales Agreement").

Specifically, effective upon the effectiveness of the Letter Amendment, the Gas Sales Agreement is amended as follows:

- (a) In the First Whereas Clause, the clause "and, with respect to the quantities to be resold to National Fuel Gas Distribution Corporation ("National Fuel"), by Empire State Pipeline ("Empire") for Boundary's account at or near the existing point of interconnection between the pipeline systems of TransCanada and Empire near Chippawa, Ontario" shall be inserted immediately after the words "Niagara Falls, Ontario."
- (b) The following new Whereas Clause shall be inserted after the present Fifth Whereas Clause: "WHEREAS, Empire has received and accepted

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all necessary certificates, permits, licenses and authorizations to enable Empire to transport the quantities of gas purchased by Boundary from TransCanada and resold to National Fuel; and."

- (c) The following new Whereas Clause shall be inserted after the present Seventh Whereas Clause: "WHEREAS, National Fuel has executed a duly authorized Transportation Contract with Empire pursuant to which Empire agrees to transport for National Fuel the quantities of gas purchased by National Fuel from Boundary; and."
- (d) In Article IV, the clause "or, in the case of National Fuel, the point at which TransCanada delivers to Empire" shall be inserted after the word "Tennessee."
- (e) In Article V, the clause "or, in the case of National Fuel, with Empire" shall be inserted after the word "Tennessee."
- (f) In Article VII, Section 1, the word "Tennessee's" shall be deleted and the clause "by Tennessee or, in the case of National Fuel, by Empire" shall be inserted after the word "receipt."
- (g) In Article IX, Section 1, the following proviso shall be inserted at the end of the fourth sentence thereof: ", provided, however, that any increase or decrease in the Monthly Demand Charge or Commodity Charge with respect to the Chippawa Daily Contract Quantity, pursuant to the provisos to Sections 3 and 4, respectively, of Article VII of the Purchase Contract, shall be paid by National Fuel to Boundary."
- (h) In Article XVI, Section 1, the word "Tennessee's" shall be deleted and the clause "by Tennessee or, in the case of National Fuel, by Empire" shall be inserted after the word "receipt."
- (i) In Article XVI, Section 1, the clause "or, in the case of National Fuel, into Empire's facilities" shall be inserted after the words "into Tennessee's facilities."
- (j) In Article XVIII, Section 1, the clause "or, in the case of National Fuel, of Empire" shall be inserted after the words "inability of Tennessee."

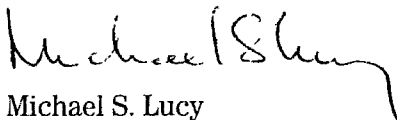
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- (k) In Article XVIII, Section 4, the clause "or, in the case of National Fuel, in Empire's transmission line" shall be inserted after the words "in Tennessee's transmission line."
- (l) In Article XVIII, Section 5, the clause "or by Empire to National Fuel" shall be inserted after the words "to any Boundary Repurchasers."

Please acknowledge these amendments by signing in the space provided below and returning an executed copy to me.

Sincerely,

Boundary Gas, Inc.

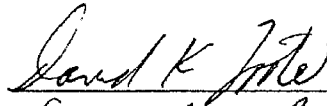


Michael S. Lucy
President

ACKNOWLEDGED AND ACCEPTED THIS

11th DAY OF March, 1996

and
FITCHBURG GAS & ELECTRIC LIGHT COMPANY

By: 
Title: Senior Vice President



BOUNDARY GAS, INC.
ONE BOWDOIN SQUARE
BOSTON, MASSACHUSETTS 02114
TELEPHONE (617) 227-8080
FAX: (617) 227-2690
TELEX 95-1459

March 6, 1996

Mr. Peter Ewing
TransCanada Gas Marketing Limited,
as Agent for
TransCanada PipeLines Limited
55 Yonge Street, 11th Floor
Toronto, Ontario M5E 1J4

Re: Fifth Amendment To TransCanada/Boundary
Phase 2 Gas Purchase Contract

Dear Mr. Ewing:

Boundary Gas, Inc. ("Boundary") and TransCanada Pipelines Limited ("TransCanada") are parties to the Phase 2 Gas Purchase Contract, dated September 14, 1987, as amended ("Purchase Contract"), which provides, inter alia, for the delivery of gas by TransCanada to Boundary at TransCanada's point of interconnection with Tennessee Gas Pipeline Company ("Tennessee") near Niagara Falls, Ontario for redelivery to National Fuel Gas Distribution Corporation ("National Fuel") and fourteen other utility companies engaged in the distribution of gas in the Northeastern United States. This Amendment concerns one change to the Purchase Contract. Namely, National Fuel has requested, and TransCanada and Boundary have agreed, to amend the Purchase Contract to facilitate, permanently on a firm basis, the delivery of National Fuel's daily share of the Boundary volumes to the point of interconnection between TransCanada and Empire State Pipeline ("Empire") at Chippawa, Ontario.

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This letter reflects our agreement to the following amendments to the Purchase Contract:

1. The First Whereas Clause is amended as follows:

(a) by deleting the words "a point" and substituting the word "points" therefore;

(b) by deleting the term "'Point of Interconnection'" and substituting the term "'Tennessee Point of Interconnection'" therefore; and

(c) by adding the following clause after the new term "Tennessee Point of Interconnection":

, and near Chippawa, Ontario, where it interconnects with the facilities of Empire State Pipeline ("Empire"), herein called "Empire Point of Interconnection" (the Tennessee Point of Interconnection and the Empire Point of Interconnection together, herein called "Points of Interconnection")

2. The Third Whereas Clause is deleted and the following clause is substituted therefore:

WHEREAS, Tennessee and Empire (herein called "U.S. Transporters") own and operate natural gas transmission pipeline systems in the United States, which interconnect with Seller's pipeline system at the aforementioned Points of Interconnection; and

3. The Fourth Whereas Clause is amended as follows:

(a) by deleting the words "Tennessee has" and substituting the words "U.S. Transporters have" therefore; and

(b) by deleting the word "Point" and substituting the word "Points" therefore.

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4. Article 1, Section 10, "Daily Contract Quantity" is amended by adding the following sentence after the second sentence:

For the purpose of calculating the Monthly Demand Charge provided for in Section 3 of Article VII hereof, and for the purpose of defining the Scheduled Daily Delivery at the Points of Delivery, the Daily Contract Quantity at the Tennessee Point of Interconnection shall be deemed to be equal to the Daily Contract Quantity defined above less 2,497.5 Mcf (the "Niagara Daily Contract Quantity") and the Daily Contract Quantity at the Empire Point of Interconnection shall be deemed to be equal to 2,497.5 Mcf (the "Chippawa Daily Contract Quantity").

5. Article III, Points of Delivery, is amended as follows:

(a) by deleting the word "POINT" in the title and substituting the word "POINTS" therefore;

(b) by adding before the words "Point of Interconnection" in the first sentence the words "Empire Point of Interconnection for the Chippawa Daily Contract Quantity and shall be the Tennessee";

(c) by adding after the words "for the account of Buyer" in the first sentence the words "for the Niagara Daily Contract Quantity";

(d) by deleting the word "Tennessee" at each place that it appears in the second sentence and substituting the words "U.S. Transporters" therefore; and

(e) by deleting the word "Tennessee's" in the second sentence and substituting the word "U.S. Transporters'" therefore.

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6. Article IV, Delivery Pressure, is amended by adding after the words "700 pounds per square inch gauge" the words "at the Tennessee Point of Interconnection, and not less than 1225 pounds per square inch gauge at the Empire Point of Interconnection."

7. Article VII, Price, Section 3 (as amended) is amended as follows:

(a) by deleting the words "point of delivery" in subsection (i) of the first paragraph and substituting the words "Tennessee Point of Interconnection" therefore;

(b) by deleting the "." at the end of subsection (iii) of the first paragraph and substituting a ";" therefore;

(c) by inserting before the last sentence of the first paragraph the following proviso:

provided, however, that the Monthly Demand Charge shall be increased or decreased, as appropriate, by an amount equal to the product of the Chippawa Daily Contract Quantity and the difference between the monthly demand tolls (including the monthly demand component of the delivery pressure tolls) per Mcf as determined by Canada's National Energy Board and in effect on the first day of the month applicable to the transportation of firm gas on Seller's system to the Tennessee and Empire Points of Interconnection.;

and

(d) by inserting after the words "Demand Charge Rate" at the beginning of the second paragraph the clause ", and, with respect to the proviso in the preceding paragraph, the difference between the monthly demand tolls per Mcf on Seller's system to the Tennessee and Empire Points of Interconnection,".

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8. Article VII, Price, Section 4, is amended by deleting the period and inserting the following new proviso at the end thereof:

; provided, however, that the Commodity Charge in respect of the Chippawa Daily Contract Quantity shall be increased or decreased, respectively, by (i) the differential calculated in accordance with the proviso in Section 3 above, (ii) an amount equal to the amount by which the commodity toll applicable to the firm transportation of gas to the Empire Point of Interconnection exceeds or is less than the commodity toll applicable to the firm transportation of gas to the Tennessee Point of Interconnection [Niagara], (iii) an amount equal to the amount by which the commodity component of the delivery pressure toll applicable to the firm transportation of gas to the Empire Point of Interconnection exceeds or is less than the commodity component of the delivery pressure toll applicable to the firm transportation of gas to the Tennessee Point of Interconnection and (iv) an amount equal to the product of the commodity charge, as otherwise determined for the Tennessee Point of Interconnection, and the differential between the fuel requirement applicable to the firm transportation of gas to the Empire and Tennessee Points of Interconnection, calculated per MMBtu.

9. Article VIII, Billings and Payment, is amended by adding the words "at each Point of Delivery" after the words "daily and total quantity of gas delivered hereunder" in the first sentence of Section 1(a) and in the second sentence of Section 1(b).

10. Article IX, Quality, is amended by deleting the phrase "Point of Delivery" in the first sentence of Section 1 and substituting the phrase "Points of Delivery" therefore.

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11. Article X, Measurement of Gas, is amended as follows:

(a) by deleting the phrase "Point of Delivery" at each place that it appears and substituting the phrase "Points of Delivery" therefore;

(b) by deleting the word "Tennessee" at each place that it appears and substituting the words "U.S. Transporters" therefore; and

(c) by deleting the word "its" in Section 3.(b) and substituting the word "their" therefore.

12. Article XII, Force Majeure, is amended as follows:

(a) by deleting the word "Tennessee" at each place that it appears and substituting the words "U.S. Transporters" therefore;

(b) by deleting the words "the Point of Delivery" in the second sentence of Section 1 and substituting the words "a Point of Delivery" therefore; and

(c) by deleting the words "Point of Delivery" at both places that they appear in Section 3 and substituting the words "Points of Delivery" therefore.

The effectiveness of these amendments is subject to (i) obtaining such changes as are appropriate to the long term import and export authorizations currently held in connection with the Purchase Contract and (ii) the receipt of any necessary approvals from the Federal Energy Regulatory Commission ("FERC") for related changes that must be made to Boundary's FERC Gas Tariff. Boundary and TransCanada agree that they will use their best commercially reasonable efforts to seek to obtain and cause the other to seek to obtain the regulatory and governmental authorizations necessary to effectuate the terms of this Fifth Amendment.

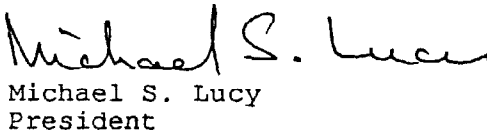
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This letter agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

If this letter agreement properly states our agreement, please acknowledge that fact by signing in the space below and returning an executed copy to me.

Sincerely,

Boundary Gas, Inc.



Michael S. Lucy
President

ACKNOWLEDGED AND ACCEPTED THIS
12 DAY OF March, 1996

TRANSCANADA PIPELINES LIMITED

By:

Title:


JOEL G. JOHNSON
Vice President, Marketing

By:

Title:


G. LAWRENCE SPACKMAN
President



BOUNDARY GAS, INC.,
ONE BOWDOIN SQUARE
BOSTON, MASSACHUSETTS 02114
TELEPHONE: (617) 227-8080
FAX: (617) 227-2690
TELEX: 95-1459

January 17, 1994

Mr. Murray Ross
Western Gas Marketing, Ltd.
As Agent For
TransCanada PipeLines Limited
55 Yonge Street -- 11th Floor
Toronto, Ontario
CANADA M5E 1J4

Re: Fourth Amendment To TransCanada/Boundary
Phase 2 Gas Purchase Contract

Dear Mr. Ross:

With regard to the September 14, 1987 Phase 2 Gas Purchase Contract between TransCanada PipeLines Limited ("TransCanada") and Boundary Gas, Inc. ("Boundary"), as amended ("Gas Purchase Contract"), this letter reflects our agreement to the following amendment to the Gas Purchase Contract:

Amendments Effective March 1, 1992

1. Article VII, Section 5(a): Article VII, Section 5(a) shall be deleted in its entirety and the following shall be substituted therefor:

The price is subject to monthly adjustments to reflect changes in the New York Weighted Average Price, as defined in subparagraph (g), for certain alternate fuels, if there is a variance between the New York Weighted Average Price (calculated, in the case of No. 2 fuel oil and No. 6 fuel oil, for the period ending the 21st day of the preceding month and beginning on the 22nd day of the next preceding month, and in the case of natural gas, utilizing the prices in effect on the first day of the month for which

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the price is being calculated) and the New York Weighted Average Price for the period ending on the 21st day of January 1985; provided, however, if for any month there is a variance of five percent (5%) or less between the Adjusted Base Price calculated for such month hereunder and the price in effect for the immediately preceding month, then the price in effect for such preceding month shall remain in effect.

In addition, all references in Article VII to the word "Period" shall be replaced by "period."

2. Article VII, Section 5(c): The definition of "NYWAP₁" shall be deleted and the following shall be substituted therefor:

"NYWAP₁" is the New York Weighted Average Price based on prices prevailing, in the case of No. 2 fuel oil and No. 6 fuel oil, during the period ending the 21st day of the preceding month and beginning on the 22nd day of the next preceding month, and in the case of natural gas, on prices in effect on the first day of the month for which the price is being calculated; and

3. Article VII, Section 5(f): The first sentence of Section 5(f) shall be deleted and the following substituted therefor:

The New York City Gate Gas Price for each period shall be the arithmetic average of Tennessee's FERC CD-5 rate, Texas Eastern's FERC DCQ-D rate, and Transco's FERC FS rate in effect on the first day of the month for which the price is being calculated, all at 100% load factor.

4. Article VII, Section 5(g): Article VII, Section 5(g) shall be deleted and the following shall be substituted therefor:

For each month for which a price is being calculated the New York Weighted Average Price

Mr. Murray Ross
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will be the sum of the New York Weighted Average Fuel Oil Price and the New York Weighted Average Gas Price, each as determined for the periods specified in Section 5(a).

Amendment Effective September 1, 1993

1. Article VII, Section 5(f): The first sentence of Section 5(f) shall be deleted and the following shall be substituted therefor:

The New York City Gate Gas Price for each month for which the price is being calculated will be the arithmetic average of the following three components, each calculated at 100% load factor and as in effect on the first day of such month:

- (i) the monthly composite of Gulf Coast commodity spot prices for Louisiana and Texas posted in the first Inside FERC Gas Market Report each month for Texas Eastern Transmission Company ("TETCO"), weighted based upon TETCO's supply allocation, plus applicable fuel; plus TETCO's CD-S Market Area 3 rate for firm transportation calculated in accordance with TETCO's FERC gas tariff, and weighted based on supply allocation; plus transition costs and applicable surcharges [(including, for example, ACA, GRI, and GSR surcharges)] as published in TETCO's FERC tariff; plus \$0.10 per MMBtu;
- (ii) the monthly composite of Gulf Coast commodity spot prices for Louisiana and Texas posted in the first Inside FERC Gas Market Report each month for Tennessee Gas Pipeline Company ("Tennessee"), weighted based upon Tennessee's supply allocation, plus applicable fuel; plus the sum of Tennessee's FT-A Zone 5 rate and DDS rate for firm transportation calculated in

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accordance with Tennessee's FERC gas tariff, and weighted based on supply allocation; plus transition costs and applicable surcharges [(including, for example, ACA, GRI, GSR, TCSM and TCRA surcharges)] as published in Tennessee's FERC tariff; plus \$0.10 per MMBtu; and

- (iii) the FERC Zone 6 FS rate for TransContinental Gas Pipeline Corporation ("Transco") in effect as of the first day of the Delivery Month, calculated in accordance with Transco's FERC gas tariff.

Amendments Effective November 1, 1993

1. Article VII, Section 5(a): Section 5(a) shall be revised by (i) deleting the semicolon (;) following the words "21st day of January, 1985" and replacing it with a period (.), and (ii) deleting in its entirety the phrase following the semicolon (which currently states "provided, however, that if or any month there is a variance of five percent (5%) or less between the Adjusted Base Price calculated for such month hereunder and the price in effect for the immediately preceding month, then the price in effect for such the preceding month shall remain in effect.")

2. Article VII, Section 5(c): Section 5(c) shall be revised by (i) deleting the amount "\$3.90" and inserting in its place the amount "3.79" and (ii) deleting the amount "\$3.30" and inserting in its place the amount ""3.38."

Finally, the parties confirm that prices for the months of June, July and August 1993 were determined without reference to the TETCO price component, and that a different pricing agreement governed certain special sales (which have been invoiced and paid for) which were made in March 1992.

FIRST AMENDMENT TO PHASE 2 GAS PURCHASE CONTRACT

This AGREEMENT is made as of this 15th day of January, 1988⁹⁰ by and between Boundary Gas, Inc., a Delaware Corporation, ("Buyer"), and TransCanada PipeLines Limited, a Canadian Corporation, ("Seller"), pursuant to the following recitals and representations:

W I T N E S S E T H :

WHEREAS, Seller and Buyer have entered into a Phase 2 Gas Purchase Contract for the sale and export of natural gas from Seller to Buyer, dated September 14, 1987 (hereinafter the "Phase 2 Contract"); and

WHEREAS, deliveries of the Phase 2 volumes commenced on January 15, 1988, having been fully authorized by all United States and Canadian regulatory authorities having jurisdiction; and

WHEREAS, Seller and Buyer have entered into a Precedent Agreement to First Amendment to Phase 2 Purchase Contract ("Precedent Agreement"), wherein Seller and Buyer have agreed to use their best efforts to seek and obtain and to cause the other to seek and obtain all necessary regulatory and governmental authorizations to effectuate the terms of this First Amendment to Phase 2 Gas Purchase Contract ("Amendment").

WHEREAS, Seller has received and accepted all necessary regulatory and governmental authorizations to enable Seller to

export and sell the quantities of gas herein provided to Buyer;
and

WHEREAS, Buyer has received and accepted all necessary
regulatory and governmental authorizations to enable Buyer to
purchase and import the quantities of gas herein provided; and

WHEREAS, all other conditions of the Precedent Agreement
between Seller and Buyer have now been fulfilled; and

WHEREAS, Seller and Buyer now desire and agree to amend
the Phase 2 Contract in the manner set forth herein, so that the
terms and conditions of the Phase 2 Contract are uniform and
consistent in all material respects with all contracts and
regulatory authorizations governing the resale by Buyer and
transportation by Tennessee Gas Pipeline Company of the Phase 2
volumes.

NOW, THEREFORE, in consideration of the mutual covenants
and agreements contained in the Phase 2 Contract and in this
Amendment, Seller and Buyer agree to amend said Phase 2 Contract
as follows:

I. Section 10 of Article I of the Phase 2 Contract is
amended by adding the words "to the end of the term of this
contract" after the date "November 1, 1988" to be found in the
second sentence of said Section 10; by deleting the phrase found
in the said second sentence which begins with the words: "and
provided further . . .;" and by adding the words "pursuant to
Section 10 of Article II hereof, and pursuant to Section 4 of

export and sell the quantities of gas herein provided to Buyer;
and

WHEREAS, Buyer has received and accepted all necessary
regulatory and governmental authorizations to enable Buyer to
purchase and import the quantities of gas herein provided; and

WHEREAS, all other conditions of the Precedent Agreement
between Seller and Buyer have now been fulfilled; and

WHEREAS, Seller and Buyer now desire and agree to amend
the Phase 2 Contract in the manner set forth herein, so that the
terms and conditions of the Phase 2 Contract are uniform and
consistent in all material respects with all contracts and
regulatory authorizations governing the resale by Buyer and
transportation by Tennessee Gas Pipeline Company of the Phase 2
volumes.

NOW, THEREFORE, in consideration of the mutual covenants
and agreements contained in the Phase 2 Contract and in this
Amendment, Seller and Buyer agree to amend said Phase 2 Contract
as follows:

I. Section 10 of Article I of the Phase 2 Contract is
amended by adding the words "to the end of the term of this
contract" after the date "November 1, 1988" to be found in the
second sentence of said Section 10; by deleting the phrase found
in the said second sentence which begins with the words: "and
provided further . . .;" and by adding the words "pursuant to
Section 10 of Article II hereof, and pursuant to Section 4 of

Article XIX hereof" to be found at the end of the third and final sentence of said Section 10 so that the second and third sentences of said Section 10 shall state:

Beginning November 1, 1988 to the end of the term of this contract the term "Daily Contract Quantity" shall mean a quantity of 92,500 Mcf of gas per day, provided that facilities required for delivery by Seller, receipt by Tennessee (for Buyer's account) and receipt by Boundary Repurchasers of 92,500 Mcf of gas per day are constructed, installed and made available. Notwithstanding any other provisions of this Section 10 of this Article I, the Daily Contract Quantity shall be subject to reduction pursuant to Section 3 of Article II hereof, pursuant to Section 10 of Article II hereof, and pursuant to Section 4 of Article XIX hereof.

II. Section 12 of Article I of the Phase 2 Contract is amended by deleting the number "330,070,000" and inserting the number "552,716,000" in its place, and by adding the words "pursuant to Section 10 of Article II hereof, and pursuant to Section 4 of Article XIX hereof" to be found at the end of Section 12 of Article I so that Section 12 shall state "'Total Contract Quantity' shall mean 552,716,000 Mcf of gas subject to reduction pursuant to Section 3 of Article II hereof, pursuant to Section 10 of Article II hereof, and pursuant to Section 4 of Article XIX hereof."

III. Article II of the Phase 2 Contract is amended by adding Sections 5 through 13 as set forth below, following Section 4 of said Article II:

5. "Seller's Long Term Sales Contracts" means gas sales contracts between Seller and a purchaser of gas from Seller

having an initial term of ten (10) years or more and pursuant to which Seller is obligated to deliver gas to the purchaser on a firm basis on all days during the year; and

"Seller's Short Term Sales Contracts" means any gas sales contracts between Seller and a purchaser of gas from Seller which are not Seller's Long Term Sales Contracts.

6. Buyer and Seller acknowledge that Seller delivers gas to all of its sales customers from the aggregate supply of natural gas producible from those proven gas reserves which are dedicated by gas producers to the performance of Seller's gas purchase contracts (such supply is hereafter referred to as "Seller's Supply Pool") and that Seller pays its producers a price for gas produced in each month which is the monthly weighted average price received by Seller for the sale of such gas in Seller's markets, after deduction for intervening costs, (such method of payment is hereafter referred to as "Seller's Netback Purchase Arrangement"). Seller undertakes in good faith to use all reasonable efforts from time to time, to add newly contracted gas reserves to Seller's Supply Pool within Seller's Netback Purchase Arrangement so that the relationship between the proven reserves expected to remain in Seller's Supply Pool as at the end of each of the five (5) contract years, commencing with the November 1st immediately preceding the date on which the Supply Notice is given pursuant to Section 7. of Article II herein (the "Projection Period"), and the annual expected level of production

from Seller's Supply Pool during each year in the Projection Period, will be such that:

RR is not less than ten (10)

P

Where:

"RR" with respect to each contract year of the Projection Period, means Seller's best estimate (in Mcf) of the proven recoverable reserves remaining in Seller's Supply Pool at the end of such contract year having regard to reserve additions under contract to Seller on the date of Seller's Supply Notice, and Seller's Long Term Sales Contracts and Short Term Sales Contracts expected to be in effect during the pertinent contract year; and

"P" with respect to each contract year of the Projection Period, means Seller's best estimate (in Mcf) of the annual levels of production which will be required to maintain full deliveries under Seller's Long Term Sales Contracts during the contract year.

7. Not later than the 1st day of February immediately following the end of each contract year hereunder, Seller shall, by written notice (the "Supply Notice"), advise Buyer of:

(a) the RR/P for each contract year of the Projection Period, calculated using Seller's best estimates as aforesaid and shall include therewith, to the extent compatible with Seller's reasonable needs to retain certain information as confidential, full details of the reserves and production levels

used in making such calculation. Seller shall also deliver to Buyer with each Supply Notice a certificate, prepared by a qualified independent consultant, acceptable to Buyer and Seller ("Consultant's Certificate"), which certifies the concurrence of such consultant with Seller's calculation of the RR/P for each year of the Projection Period as at the date of the Consultant's Certificate, and the reserve and production estimates upon which such calculations are based.

(b) In each contract year, Buyer shall be entitled to elect by written notice to Seller, to be made within sixty (60) days of the receipt by Buyer of a Supply Notice in such contract year, to review all contracts and other documents that are relevant to such Supply Notice and to confirm the facts and findings of such Supply Notice. Upon receiving such notice, and subject to Seller's reasonable needs to maintain the confidentiality of any information, Seller shall permit Buyer, its agents and advisors to conduct such review, provided that such review shall be completed within sixty (60) days of the date on which Seller has made available such relevant contracts and documents.

8. Seller shall not:

(a) at any time after the most recent Supply Notice indicates the RR/P for any contract year in the subject Projection Period is less than ten (10), enter into any gas sales contracts or increase, or extend its gas sales obligations under existing contracts; and

(b) at any time after the most recent Supply Notice indicates the RR/P for any contract year in the subject Projection Period is equal to or more than ten (10), enter into new gas sales contracts or increase or extend its gas sales obligations under existing contracts such that the RR/P for any such contract year, recalculated to take such new or amended contracts into account, would be less than ten (10).

9. In the event that, notwithstanding Seller's efforts to add gas reserves in accordance with Section 6 of this Article II, the total volume of gas available from Seller's Supply Pool on any day is insufficient to enable Seller to deliver the total volumes of gas requested for such day by purchasers under all of Seller's gas sales contracts:

(a) Seller shall curtail deliveries under Seller's Short Term Sales Contracts before curtailing deliveries under Seller's Long Term Sales Contracts in order that full deliveries under Seller's Long Term Sales Contracts may be maintained; and

(b) Seller shall, after curtailing deliveries under Seller's Short Term Sales Contracts, pro-rate the daily quantity of gas then available from Seller's Supply Pool among all of Seller's Long Term Sales Contracts. Seller's actual deliveries to Buyer hereunder shall be limited accordingly. Buyer's pro-rata share of such quantity under this contract shall be determined as:

(i) the proportion thereof which the Daily Contract Quantity hereunder bears to the total of the Daily Contract Quantities under all of Seller's Long Term Sales Contracts; plus

(ii) the proportion of the residual available gas which remains after applying the provisions of (i) above applied among those purchasers from Seller who request residual available gas; provided that in no event shall Seller be obligated to deliver a quantity of gas on any day which is greater than the Daily Contract Quantity in effect on such day.

"Residual available gas" as used herein, shall mean the aggregate of any gas which purchasers under Long Term Sales Contracts with Seller are entitled to take pursuant to the provisions of Section 9(b)(i) of this Article II but which is not actually taken.

10. If during any period of at least 120 consecutive days after the commencement of firm deliveries Seller fails for any reason, other than force majeure, to deliver to Buyer at least

90% of the sum of the Scheduled Daily Deliveries for the 120-day period, then Buyer shall have the right, but not the obligation, to elect within 90 days of the expiry of such 120-day period to reduce the Daily Contract Quantity under this contract by a quantity of gas equal to the average of the differences between the Scheduled Daily deliveries and the actual deliveries of gas hereunder during such 120-day period; provided, however, that for purposes of pro-rating pursuant to Section 9 of this Article II, the Daily Contract Quantity shall not be so reduced. In the event that the Daily Contract Quantity is reduced pursuant to this Section 10 and Buyer arranges for delivery of a substitute supply of gas from a third-party supplier, Buyer shall be entitled to the gas substitution rights set forth in Sections 1, 2, 3 and 4 of Article XIX hereof.

11. On each day during the term of this contract, Seller shall nominate to the suppliers of gas from Seller's Supply Pool for a quantity of gas which is not less than the total quantity of gas requested for delivery on such day by all purchasers under Seller's Long Term Sales Contracts.

12. Commencing with the fourth full contract year of the term of this contract, as amended by the Amendment, Seller shall not be liable for failure to deliver the Scheduled Daily Delivery on any day pursuant to Section 1 of this Article II, if and only if:

(a) the Supply Notices issued in each of the three (3) contract years preceding the contract year in which such

day occurs (the "Deficiency Year") stated that the RR/P ratio for the Deficiency Year would be less than ten (10);

(b) Seller shall have fully complied with its obligations under Sections 6, 7, 8 and 9 of this Article II;

(c) Seller shall have fully complied with its obligations for such day under Section 11 of this Article II;

(d) Seller shall not have effected a cure for that year pursuant to Article XIX.

Nothing in this Section 12 shall relieve Seller from liability for failure to comply with any provision of this contract, except that Seller shall not be liable for failure to deliver the Scheduled Daily Delivery pursuant to Section 1 of this Article II under the circumstances set forth in this Section 12.

13. (a) If on any day during a contract year in which Seller's liability is not limited pursuant to Section 12 of this Article II, Seller fails to deliver the Scheduled Daily Delivery for any reason other than force majeure, Seller shall indemnify Buyer for any and all costs, expenses, penalties or charges, including transportation costs, reasonably incurred by Buyer in arranging and obtaining a substitute supply of gas, but only to the extent that such costs, expenses, penalties or charges in respect of substitute gas supply exceed those which would have been incurred by Buyer had the Sellers' failure to deliver not occurred. In the event Buyer is unable to secure a substitute supply of gas, this Section 13(a) is not intended to and will not

limit Seller's liability for failure to deliver the Scheduled Daily Delivery.

(b) Seller agrees to indemnify, save and hold Buyer harmless from and against any loss, cost, claim, expense or liability whatsoever with respect to or resulting from any claim by any person that is inconsistent with Seller's warranty in Section 2 of Article XI of this contract.

(c) The liabilities of Buyer and Seller hereunder for breach of any covenants, representations or warranties and the obligations of Buyer and Seller under any indemnity contained in this contract shall survive termination of this contract except as otherwise expressly provided.

IV. Article VI of the Phase 2 Contract is amended by deleting the date "November 1, 1996" and inserting "January 15, 2003" in place thereof, so that the relevant phrase of Article VI shall state " . . . 8:00 a.m. Eastern Standard Time on January 15, 2003 or such earlier date"

V. Section 3(ii) of Article VII of the Phase 2 Contract is deleted and the following is substituted therefor:

The average adjusted demand charge, per Mcf of firm delivery capacity, as billed by NOVA Corporation of Alberta ("NOVA") to Seller for the immediately preceding month ("NOVA Cost"). The demand charge methodology described above shall be effective November 1, 1988, or the first full month thereafter as all necessary regulatory authorization is secured.

VI. Section 3(iii) of Article VII of the Phase 2 Contract is amended by deleting the words "which monthly fixed cost

component per Mcf is agreed by Buyer and Seller to be \$4.5625" and substituting in place therefor the words "which monthly fixed cost component per Mcf is agreed by Buyer and Seller to be zero , (\$0.00). . . ."

VII. Section 3 of Article VII of the Phase 2 Contract is amended by deleting the last paragraph of said Section and substituting therefor the following paragraph:

The Demand Charge Rate shall be converted by Seller into United States dollars and shall be calculated based on the average of the noon spot exchange rates for the United States dollar in terms of Canadian dollars for the preceding month, as published by the Bank of Canada or shall be calculated in a manner prescribed from time to time by Canadian governmental and regulatory authorities.

VIII. Section 3 of Article VII of the Phase 2 Contract is amended by adding the following paragraph at the end of said Section:

Buyer shall be relieved of its obligation to pay the Monthly Demand Charge to the extent that Seller curtails deliveries to Buyer pursuant to Section 9 of Article II. The demand charge for any month in which Buyer receives pro-rata deliveries from Seller pursuant to Section 9 of Article II shall be equal to the Monthly Demand Charge times the quotient of the total quantity of gas delivered hereunder to Tennessee during such month and the total of the Scheduled Daily Deliveries on each day of such month.

IX. Section 7 of Article VII of the Phase 2 Contract is amended by adding the words "except as set forth in Sections 9 and 10 of this Article VII," at the beginning of the first sentence of said Section 7 and at the end of fifth sentence of said Section,

so that the relevant phrase of the first sentence of said Section shall state: "Except as set forth in Sections 9 and 10 of this Article VII, by written notice of . . . ", and the fifth sentence of said Section shall state: "Section 3 of Article II shall not be subject to arbitration, except as set forth in Sections 9 and 10 of this Article VII."

X. Section 7 of Article VII of the Phase 2 Contract is amended by deleting the second sentence of said Section 7 and substituting therefor the following sentence:

It is agreed that the use of a two-part (demand/commodity) rate structure shall be subject to renegotiation, but if a demand charge is retained, the Seller's Monthly Demand Toll specified in subparagraph 3(i) of this Article VII shall not be subject to renegotiation or arbitration.

XI. Article VII of the Phase 2 Contract is amended by adding Sections 9 and 10 as set forth below, following Section 8 of said Article VII:

9. (a) Upon not less than fifteen (15) days written notice by Buyer to Seller, Buyer and Seller shall meet to review the method by which Seller determines the NOVA Cost pursuant to Section 3(ii) of this Article VII.

(b) Buyer may require renegotiation of the provisions of Section 3(ii) of this Article VII by thirty (30) days advance written notice to Seller if the structure of NOVA's tariffs and tolls has been substantially altered from the demand/commodity structure in effect on the date hereof, and Buyer and Seller have not agreed upon a mutually satisfactory method of

determining the NOVA Cost in the thirty (30) day period following Buyer's notice to Seller under Section 9(a). If any such renegotiation does not result in a mutually acceptable resolution of the matter in issue, Buyer may require arbitration within sixty (60) days from the date of receipt of the written notice requiring such renegotiation in accordance with the procedures set forth in Article XVII hereof. The purpose of such renegotiation and such arbitration shall be to establish a method of determining the NOVA component of the Monthly Demand Charge such that, in respect of each month, Seller shall recover from Buyer an amount which accurately reflects that portion of NOVA's total fixed costs for the month, including rate of return and income tax, which is properly allocated to the reservation by Seller of firm capacity on the NOVA system for the purpose of assuring the delivery to Buyer of the Daily Contract Quantity hereunder. Actions taken pursuant to this Section 9, including any action taken by the arbitrators, shall be subject to receipt and acceptance of all necessary governmental or regulatory approvals required to make such actions effective.

10. If any governmental or regulatory approval required for actions taken pursuant to Section 9 of this Article VII is denied, the party receiving such denial shall give notice thereof ("Notice of Denial") to the other party within five (5) days from receipt thereof and the matters shall be resubmitted for renegotiation in accordance with the procedures set forth in Section 9 of this Article VII. In the event that any such approval is granted subject to modification, the party receiving

such modified approval shall give notice thereof to the other party within five (5) days from receipt thereof and within ten (10) days after such notice is given each party shall notify the other if the modification is not acceptable ("Notice of Rejection"). If such modification is unacceptable to either party, the matter shall be resubmitted for renegotiation in accordance with the procedures set forth in Section 9 of this Article VII. In the event that a Notice of Denial or Notice of Rejection is given after resubmittal for renegotiation of the matter, within fifteen (15) days from the date of either such notice, the matter shall be submitted for arbitration in accordance with the procedures set forth in Article XVII hereof.

XII. Section 1.(a) of Article VIII of the Phase 2 Contract is amended by deleting the words "Canadian dollars" after the words "payable by Buyer therefore stated in" to be found at the end of the first sentence of said Section and inserting the words "United States dollars calculated as set forth in Section 3 of Article VII hereof (the "United States Dollar Sum")" therefor so that the relevant phrase of said sentence shall state: ". . . payable by Buyer therefore stated in United States dollars calculated as set forth in Section 3 of Article VII hereof (the "United States Dollar Sum")." Further, the second sentence of said Section 1.(a) is amended by deleting the entire said sentence and substituting therefor the following:

Buyer shall cause an amount of U.S. dollars equal to the United States Dollar Sum to be deposited on or before the Due Date into Seller's account at Citibank N.A., 399 Park Avenue, New York, New York,

by the Escrow Agent in accordance with the Escrow Agreement between Buyer, Seller and Chemical Bank dated March 6, 1984, as amended and supplemented, and this contract. The payment for the amount due for the sale of gas exported shall be deemed to have occurred at such time as the United States Dollar Sum has been deposited by Buyer (by means of the Escrow Agent) into Seller's account.

XIII. Section 1.(b) of Article VIII of the Phase 2 contract is amended by deleting the word "Canadian" after the words "payable by Buyer therefore stated in" to be found in the middle of the second sentence of said Section and inserting the words "United States" therefor so that the relevant phrase of said sentence shall state ". . . payable by Buyer therefore stated in United States dollars" Said Section 1.(b) is amended further by deleting the words "the Canadian Imperial Bank of Commerce" to be found in the last sentence of said Section and substituting therefor the words "Citibank N.A., 399 Park Avenue, New York, New York" so that the relevant phrase of said sentence shall state: ". . . prime rate of interest charged by Citibank N.A., 399 Park Avenue, New York, New York during the period of time such payment remains outstanding"

XIV. Section 1.(c) of Article VIII of the Phase 2 Contract is amended by deleting the entire said Section 1.(c).

XV. Section 1 of Article XII of the Phase 2 Contract is amended by deleting the words "temporary failure of gas supply" on line 12 of said Section 1.

XVI. Section 1 of Article XVII of the Phase 2 Contract is amended by adding the words "or if resubmittal for renegotiation by the parties pursuant to Section 9 of Article VII with respect to the NOVA Cost does not result in a mutually acceptable resolution" in the first sentence of said Section 1 following the words "within sixty (60) days from the date of receipt of the written notice requiring such renegotiation," to be found in the first sentence of said Section 1, so that the first sentence of said Section 1 shall state:

If renegotiation by the parties pursuant to Section 7 of Article VII with respect to an arbitrable provision of Article VII does not result in a mutually acceptable resolution within sixty (60) days from the date of receipt of the written notice requiring such renegotiation, or if resubmittal for renegotiation by the parties pursuant to Section 9 of Article VII with respect to the NOVA Cost does not result in a mutually acceptable resolution, then either party may require that the matter be submitted to a three member Board of Arbitration ("Board") by serving written notice on the other party.

XVII. Section 5 of Article XVII of the Phase 2 Contract is amended by deleting the words "Sections 7 and 8 of Article VII" after the words "Subject to the regulatory authorization provision of" to be found in the first sentence of said Section 5, and substituting the words "Sections 7, 8, 9 and 10 of Article VII" therefor, so that the relevant phrase of the first sentence of said Section 5 shall state "Subject to the regulatory authorization provisions of Sections 7, 8, 9 and 10 of Article VII"

XVIII. The Phase 2 Contract is amended by adding Article XIX as set forth below, following Article XVIII:

1. If the Supply Notice ("Base Notice") states that the RR/P for any contract year in the Projection Period, as determined in accordance with the provisions of Section 8 of Article II hereof, will be less than ten (10), Seller shall have one-half the period of time between the date of the Base Notice and the commencement of a contract year for which the Base Notice projects a RR/P less than ten (10) ("Cure Period"), within which to contract for new reserves such that the RR/P for that contract year, as set forth in the Notice of Cure (as defined below), is increased to at least ten (10); failing which, Buyer may, at its option, arrange for a substitute supply of gas equal to all or part of the Daily Contract Quantity, as determined in Buyer's sole discretion, to commence no earlier than the end of the Cure Period. Once the Cure Period for any contract year which reflects an RR/P of less than ten (10) begins to run, the length of such Cure Period shall not be altered by the issuance of any subsequent Supply Notice. In the event that Seller cures a RR/P ratio of less than ten (10) for any given year prior to the expiry of the Cure Period, Seller shall provide Buyer written notice thereof, confirmed by an additional Supply Notice ("Notice of Cure"), in the same form (including a Consultant's Certificate) and providing the same analysis and rights to Buyer and Buyer's agents and advisors as are set forth in Section 7 of Article II hereof.

2. Buyer and Seller shall use their best efforts to secure all necessary regulatory approvals to implement delivery of any substitute gas supply by any third-party supplier or suppliers

in the event the Daily Contract Quantity is reduced for whatever reason hereunder, with the understanding that any export license or provincial removal permit held by Seller shall be sought to be utilized (by transfer, assignment or otherwise) as authorization for the export by any third-party supplier or suppliers of any substitute gas supplies. Buyer and Seller agree to use their best efforts to assist in accomplishing such transfer or assignment.

3. Upon notice by Buyer to Seller that Buyer has arranged for a substitute gas supply, Seller shall assign or otherwise make available to each third party supplier a corresponding quantity of firm capacity on Seller's transportation facilities and, to the extent permitted by NOVA, Seller's rights under its contract with NOVA to the extent of the substitute gas supplies to be supplied by each third party supplier.

4. Commencing with the first day for which Buyer pays demand charges for or schedules the delivery of any substitute gas supplies (whichever occurs first), the Daily Contract Quantity for purposes of this contract shall be that quantity of natural gas which is equal to the Daily Contract Quantity then in effect, less the daily contract quantity of the substitute gas supplies; provided, however that, for purposes of prorating pursuant to Section 9 of Article II hereof, the Daily Contract Quantity under this contract shall not be affected by any such reduction. Implementation of the delivery of substitute gas supplies shall not relieve Seller of any of its obligations under this contract with Buyer including any liability of Seller to

For more info please
see Boundary Gas
Book in Operations
Dept.

FG&E D.T.E. 02-55
Attachment DOER-1-2
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PHASE 2 GAS PURCHASE CONTRACT

This contract is made as of the 14th day of
September 1987, by and between TransCanada PipeLines Limited, a
Canadian Corporation, herein called "Seller," and Boundary Gas,
Inc., a Delaware Corporation, herein called "Buyer," pursuant to
the following recitals and representations:

W I T N E S S E T H:

WHEREAS, Seller owns and operates a natural gas transmis-
sion pipeline system in Canada extending from the Province of
Alberta to Eastern Canada with an extension, inter alia, to a
point on the International Border between the United States of
America and Canada near Niagara Falls, Ontario, where it inter-
connects with the facilities of Tennessee Gas Pipeline Company, a
Division of Tenneco Inc. ("Tennessee"), herein called "Point of
Interconnection"; and

WHEREAS, Buyer is a company engaged in the purchase,
importation and resale of natural gas in and for the Northeastern
United States; and

WHEREAS, Tennessee owns and operates a natural gas
transmission pipeline system in the United States, which inter-
connects with Seller's pipeline system at the aforementioned Point
of Interconnection; and

WHEREAS, Tennessee has agreed to construct or to enter
into contracts for additional capacity to receive gas from Seller

for Buyer's account at or near the aforementioned Point of Interconnection, subject to the receipt of all necessary authorizations; and

WHEREAS, the Federal Energy Regulatory Commission ("FERC") determined to consider in two phases the authorizations that have been requested with respect to the purchase of natural gas by Buyer from Seller; and

WHEREAS, Phase 1 commenced November 1, 1984, having been fully authorized by all United States and Canadian regulatory authorities having jurisdiction; thereafter TransCanada and Boundary renegotiated the terms and conditions of Phase 1, which renegotiated terms and conditions are consistent with the conditional authorization of the Economic Regulatory Administration of the U.S. Department of Energy in DOE/ERA Opinion and Orders Nos. 45 and 45A, have been approved by the National Energy Board of Canada ("NEB") to the extent of its jurisdiction and have been approved by the FERC to the extent of its jurisdiction.

WHEREAS, with respect to Phase 2, Seller and Buyer previously have entered into an Amended Phase 2 Precedent Agreement dated April 29, 1985, pursuant to which they agreed to seek all necessary approvals from the United States and the Canadian regulatory and governmental authorities authorizing the sale and purchase of gas on the terms provided herein, and upon receipt of all such authorizations on terms satisfactory and acceptable to both parties, to enter into this Phase 2 Gas

Purchase Contract, and all terms, conditions and requirements of said Amended Phase 2 Precedent Agreement have been fulfilled; and

WHEREAS, the natural gas to be purchased by Buyer from Seller with respect to Phase 2 will, immediately upon such purchase, be resold to the United States companies which collectively own all of the shares of Class A Stock of Buyer (herein called "Boundary Phase 2 Repurchasers"); and

WHEREAS, such resales to the Boundary Phase 2 Repurchasers will be made pursuant to a Phase 2 Gas Sales Agreement in the form of Exhibit "A," which has been appended hereto, executed by Boundary and the Boundary Phase 2 Repurchasers.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, Seller and Buyer agree as follows:

ARTICLE I - DEFINITION OF TERMS

1. The term "day" shall mean a period of twenty-four consecutive hours, beginning and ending at 8:00 a.m. Eastern Standard Time.

2. The term "month" shall mean the period beginning at 8:00 a.m. Eastern Standard Time on the first day of the calendar month and ending at 8:00 a.m. Eastern Standard Time on the first day of the next succeeding calendar month.

3. The term "year" or "contract year" with respect to the first "year" or "contract year" shall mean the period commencing

on the date deliveries first commence hereunder and ending at 8:00 a.m. Eastern Standard Time on the succeeding November 1, and with respect to any succeeding "year" or "contract year" shall mean the period of twelve (12) consecutive months from the end of the preceding contract year to 8:00 a.m. Eastern Standard Time on the next succeeding November 1.

4. The term "cubic foot" shall mean the volume of gas which occupies one cubic foot when such gas is at a temperature of 60 degrees Fahrenheit, and at a pressure of 14.73 pounds per square inch absolute.

5. The term "Mcf" shall mean 1,000 cubic feet.

6. The term "British thermal unit" or "Btu" shall mean the amount of heat required to raise the temperature of one pound of distilled water 1 degree Fahrenheit at 60 degrees Fahrenheit, at a constant pressure of 14.73 pounds per square inch absolute.

7. The term "Total Heating Value," when applied to a cubic foot of gas, means the number of British thermal units produced by the combustion in a recording calorimeter at constant pressure, of the amount of gas which would occupy a volume of one cubic foot at a temperature of 60 degrees Fahrenheit, if saturated with water vapor, and under a pressure equal to that of 30 inches of mercury at 32 degrees Fahrenheit and under a standard gravitational force (acceleration of 980.665 cm per second per second) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial

temperature of the gas and air, and when the water formed by combustion is condensed to the liquid state.

8. The term "Canadian Regulatory Authorities" means each governmental agency or other authority in Canada, which has jurisdiction over the matter in question, including without limitation the National Energy Board of Canada and the Governor in Council.

9. The term "U.S. Regulatory Authorities" means each governmental agency or other authority in the United States of America which has jurisdiction over the matter in question, including without limitation the Economic Regulatory Administration and the Federal Energy Regulatory Commission of the United States Department of Energy.

10. The term "Daily Contract Quantity" shall mean a quantity of 90,000 Mcf of gas per day until November 1, 1988, provided that facilities required for delivery by Seller, receipt by Tennessee (for Buyer's account) and receipt by Boundary Repurchasers of 90,000 Mcf of gas per day are constructed, installed and made available. Beginning November 1, 1988, the term "Daily Contract Quantity" shall mean a quantity of 92,500 Mcf of gas per day, provided that facilities required for delivery by Seller, receipt by Tennessee (for Buyer's account) and receipt by Boundary Repurchasers of 92,500 Mcf of gas per day are constructed, installed and made available and provided further

that for the period from November 1, 1994 through October 31, 1995, the term "Daily Contract Quantity" shall mean a quantity of 61,900 Mcf of gas per day and that for the period from November 1, 1995 to the end of the term of this contract, the term "Daily Contract Quantity" shall mean a quantity of 27,300 Mcf of gas per day. Notwithstanding any other provision of this Section 10. of this Article I, the Daily Contract Quantity shall be subject to reduction pursuant to Section 3. of Article II hereof.

11. The term "Scheduled Daily Delivery" shall mean the volume of natural gas, up to the Daily Contract Quantity, which Buyer requests Seller to deliver during any one day.

12. The term "Total Contract Quantity" shall mean 330,070,000 Mcf of gas, subject to reduction pursuant to Section 3. of Article II hereof.

13. The term "Annual Contract Quantity" shall mean the quantity of gas equal to the sum of the Daily Contract Quantities for each day in the relevant contract year.

14. The term "Annual Triggering Quantity" shall mean the quantity of gas equal to sixty percent (60%) of the Annual Contract Quantity for the relevant contract year, less any reduction made pursuant to Section 2. of Article IX hereof.

15. The term "gas" shall mean natural gas of the quality specified in Article IX hereof.

ARTICLE II - CONTRACT QUANTITIES; DELIVERIES

1. On the day deliveries commence hereunder as provided in Article V and on each day thereafter during the term hereof as provided in Article VI, Seller shall export, sell and deliver to Buyer, and Buyer shall import, purchase and accept delivery from Seller the Scheduled Daily Delivery.

2. If on any day during the term hereof, Seller has available for sale and delivery and Buyer requests on such day to purchase and accept delivery of volumes in excess of the Daily Contract Quantity ("Excess Gas"), then, subject to existing regulatory and governmental authorizations of Seller and Buyer, Seller may sell and deliver to Buyer and Buyer may purchase and accept delivery from Seller of such Excess Gas; provided, that the sale and delivery of such Excess Gas by Seller shall be on a best efforts basis only, and nothing herein shall be construed to

require Seller to sell and deliver or Buyer to purchase and accept delivery of volumes in excess of the Daily Contract Quantity.

3. If Buyer takes less than the Annual Triggering Quantity in any contract year, Buyer shall purchase from Seller in the succeeding contract year a quantity of gas (the "Required Quantity") equal to the sum of (a) the Annual Triggering Quantity for such succeeding contract year and (b) a quantity of gas (the "Deficiency Volume") equal to the difference between the Annual Triggering Quantity for the preceding contract year and the quantity actually taken by Buyer from Seller during such preceding contract year. If, during any contract year, Buyer takes less than the Required Quantity for such contract year, Seller's sole remedy shall be the right to reduce permanently the Daily Contract Quantity up to an amount equal to the lesser of (a) the quotient of the relevant Deficiency Volume divided by the number of days in the preceding contract year, or (b) the difference between the Required Quantity and volumes actually taken in that contract year divided by the number of days in the preceding year. Within three months following a contract year during which Buyer did not purchase the Required Quantity, Seller shall notify Buyer of the amount, if any, by which Seller desires to reduce the Daily Contract Quantity hereunder, and any such reduction shall become effective no sooner than the first day of April of the contract year first in which such notice is given.

4. Nothing herein shall be construed as obliging Seller to sell and deliver or entitling Buyer to purchase and accept

delivery of a total quantity of gas during the entire term of this contract in excess of the Total Contract Quantity, nor shall anything herein be construed as obliging Seller to sell and deliver or entitling Buyer to purchase and accept delivery of a quantity of gas during any contract year in excess of the Annual Contract Quantity for that contract year.

ARTICLE III - POINT OF DELIVERY

The point at which the gas purchased hereunder is to be delivered by Seller to Buyer shall be the Point of Interconnection or such other point on the International Border near Niagara Falls, Ontario that Seller can deliver and Tennessee can receive gas for the account of Buyer. It is understood that Buyer's request for the Scheduled Daily Delivery shall be made by Tennessee for Buyer's account and that gas sold hereunder shall be delivered by Seller to Tennessee for Buyer's account and not for Tennessee's own account.

ARTICLE IV - DELIVERY PRESSURE

Seller shall deliver natural gas to Buyer at Seller's line pressure at the Point of Delivery provided that such pressure be not less than 700 pounds per square inch gauge, provided, however, that until such time as the facilities for delivery by Seller, receipt by Tennessee (for Buyer's account) and the receipt by Boundary Repurchasers of 90,000 Mcf of gas per day are constructed, installed and made available, such pressure shall be not less than 400 pounds per square inch gauge.

ARTICLE V - COMMENCEMENT OF DELIVERIES

Deliveries of gas by Seller to Buyer hereunder shall commence on November 1, 1987 or as soon as possible thereafter; provided, however, that Seller shall have no obligation to deliver and Buyer shall have no obligation to accept delivery of gas hereunder until such time as (1) the facilities required for delivery by Seller and receipt by Tennessee (for Buyer's account) and receipt by Boundary Repurchasers of the then effective Daily Contract Quantity are constructed, installed and made available and (2) a Phase 2 Gas Sales Agreement in the form of Exhibit "A" has been executed by Boundary and all of the Boundary Phase 2 Repurchasers. Both Seller and Buyer agree to use their best efforts to have constructed and made available in a timely fashion the facilities required to fulfill their respective obligations hereunder. Each party agrees to notify the other in writing as to when the facilities required are available for service, and deliveries shall commence as soon as possible thereafter.

ARTICLE VI - TERM OF CONTRACT

This contract shall become effective on November 1, 1987 and shall continue in full force and effect for a period ending at 8:00 a.m. Eastern Standard Time on November 1, 1996 or such earlier date as Seller shall have delivered to Buyer the Total Contract Quantity or as may be required to conform with any applicable authorizations of U.S. and Canadian Regulatory Authorities.

ARTICLE VII - PRICE

1. For natural gas service hereunder, Buyer shall pay Seller a Monthly Demand Charge determined in accordance with Section 3. of this Article VII and Commodity Charges per MMBtu determined in accordance with Sections 4., 5., and 6. of this Article VII.

2. All charges shall be expressed in United States dollars. Any necessary conversions from either United States or Canadian currency with respect to any charges for any month shall be (a) calculated at the rate of exchange for such month, which rate of exchange shall be the average of the noon spot exchange rates for the United States dollar in terms of Canadian dollars for such month, as published by the Bank of Canada or (b) calculated in the manner that may be prescribed from time to time by Canadian governmental or regulatory authorities.

3. The Monthly Demand Charge for each month, beginning with the month in which the first delivery of gas hereunder occurs, shall be the product of the Daily Contract Quantity for such month and the Demand Charge Rate ("DCR") where DCR is the sum of:

- (i) the monthly demand toll per Mcf on Seller's system as determined by Canada's National Energy Board and in effect on the first day of such month applicable to the transportation of firm gas on Seller's system to the point of delivery ("Seller's Monthly Demand Toll");

- (ii) the average monthly cost of service per Mcf as billed by NOVA, an Alberta Corporation ("NOVA") to Seller in the preceding contract year ("NOVA Cost"); and
- (iii) the monthly fixed cost component per Mcf of the price paid by Seller for gas purchased by Seller from producers in the Province of Alberta ("Producer Fixed Cost"), which monthly fixed cost component per Mcf is agreed by Buyer and Seller to be \$4.5625, subject to change pursuant to Section 7. of this Article VII.

Any conversion from volume units to heating units required for the purpose of this Section 3. shall be based on the average heating value of the gas transported on Seller's system in the month of delivery.

The Demand Charge Rate shall be converted into United States dollars only in a month (to be effective as of such month and for succeeding months until another conversion is required pursuant to this Section 3.), during which there has been a change in Seller's Monthly Demand Toll, the NOVA Cost or the Producer Fixed Cost. For any month when the Demand Charge Rate is required to be converted into United States dollars, the conversion shall be calculated based on the average of the noon spot exchange rates for the United States dollar in terms of Canadian dollars for the preceding month, as published by the Bank of Canada, or shall be

calculated in the manner prescribed from time to time by Canadian governmental and regulatory authorities.

4. The Commodity Charge per MMBtu for each month shall be an amount determined in accordance with the formula:

$$CC = BP - \frac{DCR \times 12}{365}$$

Where:

"CC" is the Commodity Charge;

"BP" is (a) the Initial Base Price of \$3.90 for the months of November through March and \$3.30 for the months of April through October or (b) if required pursuant to Section 5. of this Article VII, the Adjusted Base Price for such month; and

"DCR" is the Demand Charge Rate for such month expressed in MMBtus based on the average heating value of gas transported on Seller's system in the month of delivery.

5.(a) The price is subject to monthly adjustments to reflect changes in the New York Weighted Average Price, as defined in subparagraph (g), for certain alternate fuels, if there is a variance between the New York Weighted Average Price for the period ending the 21st day of the preceding month and beginning on the 22nd day of the next preceding month ("Period") and the New York Weighted Average Price for the Period ending on the 21st day of January 1985; provided, however, if for any month there is a variance of five percent (5%) or less between the Adjusted Base Price calculated for such month hereunder and the price in effect

for the immediately preceding month, then the price in effect for such preceding month shall remain in effect.

(b) Seller will notify Buyer of an adjustment on or before the first day of the month during which such adjustment shall be in effect.

(c) The price shall be adjusted monthly in accordance with the formula:

$$ABP = IBP \times \frac{NYWAP_1}{NYWAP_B} \quad \text{where:}$$

"ABP" is the Adjusted Base Price; "IBP" is the Initial Base Price of \$3.90 for the months of November through March and \$3.30 for the months April through October;

"NYWAP₁" is the New York Weighted Average Price of the Period preceding the month for which the charge is being determined; and "NYWAP_B" is the New York Weighted Average Price for the Period ending on the 21st day of January, 1985.

(d) No. 2 fuel oil, No. 6 fuel oil, and natural gas shall be the "Alternate Fuels". The state of New York shall be used for purposes of weighting the price of Alternate Fuels. The weightings for the price of each of the Alternate Fuels in any contract year shall be determined on the first day of such contract tract year and will be based on the ratio of the total consumption of each Alternate Fuel in the state of New York to the total consumption of the Alternate Fuels in the state of New York expressed as a percentage ("New York Alternate Fuel Weights").

Consumption data on the Alternate Fuels shall be extracted for the most recent year as provided in the latest issue of the "State Energy Data Report" published by the Energy Information Administration, United States Department of Energy, for the Consumption of Energy by Source.

(e) The price in New York City for each of the fuel oil Alternate Fuels for any Period will be multiplied by the applicable New York Alternate Fuel Weight for such fuel oil Alternate Fuel and the sum of such calculations will be the weighted average wholesale price of the fuel oil Alternate Fuels for the state of New York for such Period ("New York Weighted Average Fuel Oil Price").

(f) The New York City Gate Gas Price for each Period will be the arithmetic average of Tennessee's FERC CD-5 rate, Texas Eastern's FERC DCQ-D rate, and Transco's FERC CD-3 rate in effect on the last day of such Period (without regard to any subsequent changes in the effective rate for such day), all at 100% load factor. For any Period, the product of the New York City Gate Gas Price and the applicable New York Alternate Fuel Weight for gas for such Period will be the New York Weighted Average Gas Price.

(g) For each Period, the sum of the New York Weighted Average Fuel Oil Price and New York Weighted Average Gas Price will be the New York Weighted Average Price for such Period.

(h) The prices in each Period for the fuel oil Alternate Fuels for New York City will be the average of all of the daily

refiners' prices (in dollars per MMBtu) in New York City for such Period for such Alternate Fuels as reported in "Platt's Oilgram Price Report" published by McGraw-Hill, Inc. for (i) the No. 2 fuel oil Alternate Fuel for "Posted U.S. Tank Car Truck Transportation Lots" for South and East Terminals, and (ii) the No. 6 fuel oil Alternate Fuel (low pour with a maximum sulfur weight of one percent) for spot cargoes, New York Harbor. The use of the fuel oil Alternate Fuels (as defined in this paragraph (h)) for purposes of this Section 5. shall not be deemed to establish that the prices of such fuel oil Alternate Fuels are relevant to the appropriate price for gas sold hereunder as such price may be determined from time to time in accordance with Section 7. of this Article VII.

6. Commencing with the month that deliveries commence, the minimum monthly bill shall be the Monthly Demand Charge.

7. By written notice of not less than 120 days, or more than 150 days, prior to the end of a contract year, either party may require renegotiation of the provisions of Section 3. of Article II and this Article VII. It is agreed that the use of a two part (demand/commodity) rate structure shall be subject to renegotiation, but if a demand charge is retained, the demand components specified in subparagraphs 3(i) and 3(ii) of this Article VII shall not be subject to renegotiation or arbitration. If pursuant to any such renegotiation, there is agreement upon any modification, such modification shall become effective as of the first day of the first month following such agreement, but in no

event earlier than the first day of the contract year following the date on which written notice of such renegotiation was given, subject, however, to the regulatory approval requirements specified in the next to the last sentence of this Section 7. If any renegotiation does not result in a mutually acceptable resolution of the renegotiable provisions of this Article VII within 60 days from the date of the written notice of the renegotiation, either party may require that the matter involving such provisions be submitted to arbitration in accordance with the procedures set forth in Article XVII hereof. Section 3. of Article II shall not be subject to arbitration. The purpose of such arbitration shall be to determine whether modifications to this Article VII are required in order to achieve a price of gas purchased hereunder that is competitive with and comparable to the prices of major competing energy sources in the markets served by Buyer. Pending the outcome of any such arbitration, the terms in effect immediately prior to such arbitration shall remain in effect. Any modification approved by the arbitrators shall be effective prospectively only, and such modification shall become effective on the first day of the first month following the decision of the arbitrators, but in no event earlier than the first day of the contract year following the date on which notice of the renegotiation that resulted in such arbitration was given, subject, however, to the next sentence hereof. Actions taken pursuant to this Article VII, including any action taken by the arbitrators, shall be subject to the receipt of all governmental and regulatory approvals required to make such actions effective

without modifications (unless such modifications are acceptable to both parties), and subject further to the receipt of all governmental and regulatory approvals required to enable Buyer to reflect such actions in its FERC tariff pursuant to which the gas purchased hereunder is resold. The parties shall promptly apply for such approvals.

8. If any governmental or regulatory approval required by Section 7. of this Article VII is denied, the party receiving such denial shall give notice thereof ("Notice of Denial" to the other party within five (5) days from receipt thereof and the matter shall be resubmitted for arbitration in accordance with the procedures set forth in this Section 8. In the event that any such approval is granted subject to modification, the party receiving such modified approval shall give notice thereof to the other party within five (5) days from receipt thereof and within ten (10) days after such notice is given each party shall notify the other if the modification is not acceptable ("Notice of Rejection"). If such modification is unacceptable to either party the matter shall be resubmitted for arbitration in accordance with the procedures set forth in this Section 8. Within fifteen (15) days from the date on which a Notice of Denial or Notice of Rejection is given, the matter shall be resubmitted to the arbitrators that rendered the decision at issue. The arbitrators shall promptly rehear and redetermine the question(s) presented and shall render their decision within thirty (30) days from the date of resubmittal. The arbitrators shall give the parties due notice of such rehearing and a reasonable opportunity to be heard.

Except as otherwise provided in this Section 8., any re-arbitration shall be conducted in accordance with the procedures set forth in Article XVII hereof. The procedures set forth herein for re-arbitrations shall be repeated until a decision of the arbitrators has received all governmental and regulatory approvals required to make such decision effective without modification.

ARTICLE VIII - BILLINGS AND PAYMENTS

1.(a) Seller shall render to Buyer on or before the tenth (10th) day of each month after the first delivery of gas hereunder a statement for the preceding month in which the gas being billed for was delivered (the "Delivery Month") showing the daily and total quantity of gas delivered hereunder, the weighted average Total Heating Value per cubic foot thereof, and the total amount payable by Buyer therefore stated in Canadian dollars.

Specifically, in order to prepare the monthly statement, the price in U.S. currency of gas exported, as determined in accordance with Article VII hereof, will be converted by Seller into Canadian currency at the rate of exchange for the Delivery Month equal to the average of the noon spot exchange rates for U.S. dollars in terms of Canadian dollars in the Delivery Month, as published by the Bank of Canada (the "Canadian Dollar Sum").

(b) The date by which Buyer shall make payment to Seller by means hereinafter specified ("Due Date") shall be the twenty-fifth (25th) day of each month in which Seller renders a monthly statement to Buyer. In the event that Seller fails to render a statement to Buyer on or before the tenth (10th) day of a

month, the Due Date shall be extended one day for each day Seller's statement is late: provided, however, that if Seller is unable to render a statement on or before the tenth (10th) day of a month, Seller may at its option render an estimated statement to Buyer which statement shall contain Seller's best estimate of the daily and total quantity of gas delivered hereunder during the preceding month, the weighted average Total Heating Value per cubic foot thereof, and the total amount payable by Buyer therefor stated in Canadian dollars, in which case the Due Date shall be the fifteenth (15th) day after Buyer's receipt of such estimated statement; provided, however, that Seller shall render to Buyer a final statement no later than the fifteenth (15th) day of the month in which such estimated statement is rendered. Any difference between the estimated statement and the final statement shall be added to or deducted from, as appropriate, Seller's next succeeding monthly statement to Buyer. If Buyer fails by the Due Date to make full payment to Seller by means hereinafter specified, interest thereon shall accrue at the annual rate of interest which is equal to the prime rate of interest charged by the Canadian Imperial Bank of Commerce during the period of time such payment remains outstanding, plus one percent (1%) until the same is paid.

(c) Buyer agrees to make payment to Seller by the following means:

- (i) Subject to the NEB's approval of the means of payment set forth in this subparagraph

(i), or the NEB's determination that its approval thereof is unnecessary, Buyer shall cause an amount of Canadian dollars equal to the Canadian Dollar Sum to be deposited on or before the Due Date into Seller's account at the Canadian Imperial Bank of Commerce, Main Branch, Commerce Court West, Toronto, Ontario M5L 1G9. In order to facilitate such payment, Buyer shall enter into one or more Forward Cover Agreements (to be approved in writing by Seller and the Repurchasers), in and by which suitably qualified financial institutions ("Approved Institutions") agree to effect on behalf of Buyer the delivery to Seller of the amount of Canadian dollars requested by Buyer. The Canadian Dollar Sum shall be deposited into Seller's Account by one or more such Approved Institutions in accordance with the respective Forward Cover Agreements and this Contract.

- (ii) In the event that in any month Buyer does not effect forward cover pursuant to a Forward Cover Agreement or there is no such effective Forward Cover Agreement, Buyer shall, after receipt of Seller's statement, convert the Canadian Dollar Sum to U.S.

dollars (the "U.S. Sum") based on the rate of exchange for Canadian dollars in terms of U.S. Dollars equal to the published Bank of Canada noon spot rate in effect on the date set out on Seller's statement (or the 10th day of the month, whichever is earlier). Buyer shall cause an amount of U.S. dollars equal to the U.S. Sum to be deposited on or before the Due Date into Seller's account at Citibank N.A., 399 Park Avenue, New York, New York, by the Escrow Agent in accordance with the Escrow Agreement between Buyer, Seller and Chemical Bank dated March 6, 1984, as amended and supplemented, and this Contract.

Regardless of whether the Escrow Agent has deposited the U.S. Sum by the Due Date, Seller will, on such Due Date, convert the U.S. Sum (based on amounts deposited by the Escrow Agent or as otherwise financed by Seller) to Canadian dollars based on the Bank of Canada's noon rate in effect on the first business day prior to such Due Date for delivery of a Canadian sum to Seller (the "Converted Canadian Dollar Sum"). The payment of the amount due for the sale of gas exported shall be deemed to have

occurred at such time as (a) the U.S. Sum has been deposited by Buyer (by means of the Escrow Agent) into Seller's account and (b) Seller has converted the U.S. Sum into Canadian dollars.

If the Converted Canadian Dollar Sum is greater or less than the Canadian Dollar Sum because of a fluctuation in the Bank of Canada noon spot rate between the date set out on Seller's monthly statement (or the 10th day of the month, whichever is earlier) and the first business day prior to the date on which the U.S. Sum is due, then such differential will be reflected as a credit or a debit on the Seller's monthly statement issued the following two months. The said credit or debit will reflect the carrying charges incurred or interest earned by Seller during the period that the differential is outstanding; in either case based on the Royal Bank of Canada's Prime Rate in effect on the deposit date. The parties believe that differentials caused by exchange rate fluctuations will be less than 1% of any invoice so that negative or positive balances carried for the period that the differential is outstanding will

not be of any practical consequence;
nevertheless, this reference to 1% shall in
no way be construed as limiting the actual
differentials that may result hereunder.

(d) The parties agree to abide by the billing and payment procedures outlined herein or those otherwise required by Canadian governmental and regulatory authorities.

2. Subject to Section 3. of this Article VIII, if Buyer's failure to pay continues for thirty (30) days, Seller, in addition to all other remedies, may thereafter suspend deliveries of gas hereunder and if such default continues for thirty (30) additional days, Seller may thereafter, in addition to any other rights Seller may have, terminate this contract; provided, however, in order for Seller to have the right to suspend deliveries or terminate this contract, Seller must first have notified Buyer in writing fifteen (15) days prior to exercising such right of its intent to do so and give Buyer the right to pay the amount so due to Seller within such fifteen (15) day period; and provided further that if Buyer in good faith shall dispute the amount of any such bill or part thereof and shall pay to Seller such amounts as it concedes to be correct and at any time thereafter within twenty (20) days of a demand made by Seller shall furnish or cause to be furnished a good and sufficient surety bond satisfactory to Seller, guaranteeing payment to Seller of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement or judgment

of the courts, as may be the case, then Seller shall not be entitled to suspend further delivery of gas because of such non-payment unless and until default be made in the conditions of such bond.

3. If Buyer's default is due to the default of one or more Boundary Repurchasers under the Gas Sales Agreement and Buyer has notified Seller of such default, then Seller's suspension and termination rights under Section 2. of this Article VIII shall be limited to:

- (a) The suspension of deliveries equal to that portion of the then effective Daily Contract Quantity which the Boundary Repurchaser(s) in default are otherwise entitled to receive pursuant to the Gas Sales Agreement; and
- (b) The termination of that portion of the then effective Daily Contract Quantity which the Boundary Repurchaser(s) in default are otherwise entitled to receive pursuant to the Gas Sales Agreement.

In no event shall Seller's decision to suspend or terminate deliveries of gas pursuant to Sections 2. and 3. of this Article VIII obligate Buyer to cancel the rights of any defaulting Boundary Repurchaser(s) under the Gas Sales Agreement.

4. Each party shall have the right to inspect and examine at all reasonable times the records and charts of the other party pertaining to the purchase and sale of gas hereunder.

If any overcharge or undercharge in any amount whatsoever shall at any time be found and the bill therefor has been paid, Seller shall refund the amount of the overcharge or Buyer shall pay the amount of the undercharge within thirty (30) days after the final determination thereof.

ARTICLE IX - QUALITY

1. Buyer agrees to accept delivery of gas from Seller at the Point of Delivery which shall meet the following quality specifications:

- (a) shall have a Total Heating Value of not less than 950 Btus per cubic foot, unless otherwise agreed to by Buyer;
- (b) shall be commercially free (at prevailing pressure and temperature) from objectionable odors, dust and other solid or liquid matters which might interfere with its merchantability, or cause injury to or interference with proper operation of the lines, regulators, meters or other appliances through which it flows, and shall not contain any substances not contained in the gas at the time the same was produced, other than traces of those materials necessary for the extraction of hydrocarbons and the transportation and delivery of the gas and which do not cause it to fail to meet any of the quality specifications herein set forth;

- (c) shall not contain more than one grain of hydrogen sulphide per hundred cubic feet of gas volume when tested in accordance with the following procedure: a strip of white filter paper previously moistened with fresh 5% lead acetate solution shall be exposed to the gas for one and one-half minutes in a previously purged apparatus through which the test gas is flowing at a rate of approximately five cubic feet per hour; the gas shall not directly impinge upon the test strip during the test. At the end of the stated time the test paper thus exposed shall be compared with a second test strip similarly prepared but not exposed to the test gas. If the exposed test strip is not noticeably darker than the comparison strip the gas shall be considered acceptable. If the exposed strip is definitely darker than the comparison strip the gas shall be tested quantitatively for hydrogen sulphide by the Tutweiler method;
- (d) shall not contain more than twenty (20) grains of total sulphur per hundred cubic feet of gas volume as determined by methods to be mutually agreed upon;
- (e) shall not contain more than four percent (4%) by volume of a combined total of carbon dioxide and nitrogen; provided, however, that the total carbon dioxide content shall not exceed two percent (2%) by volume;

- (f) shall be as free from oxygen as Seller can keep it through the exercise of all reasonable precautions and shall not in any event contain more than two-tenths of one percent (0.2%) by volume of oxygen;
- (g) shall have been dehydrated, if necessary, by Seller for removal of water present therein in a vapor state, and in no event contain more than four (4) pounds of water vapor per one million (1,000,000) cubic feet of gas, when measured at a pressure of fourteen and seventy-three one hundredths (14.73) pounds per square inch absolute and a temperature of sixty (60) degrees Fahrenheit.

2. If the gas offered for delivery by Seller shall fail at any time to conform to any of the specifications set forth in Section 1. of this Article IX, then Buyer shall notify Seller of such deficiency and thereupon may, at Buyer's option, refuse to accept delivery pending correction by Seller. Upon Seller's failure promptly to remedy any deficiency in quality as specified in subparagraphs (b) to (g) inclusive of Section 1., Buyer may accept delivery of such gas and may make changes necessary to bring such gas into conformity with such specifications, and Seller shall reimburse Buyer for any reasonable expense incurred by Buyer in effecting such changes. Any volumes which Buyer refuses pursuant to this Section 2. and which are not subsequently delivered to Buyer shall be deducted from the Annual Triggering Quantity for the relevant contract year.

ARTICLE X - MEASUREMENT OF GAS

1. The unit of measurement of the gas delivered by Seller shall be one (1) Mcf of gas measured according to Boyle's Law for the measurement of gas under varying pressures with deviations therefrom as provided in Section 2.(e) below on the measurement basis hereinafter specified.

2. The volume and Total Heating Value of the gas delivered by Seller shall be determined as follows:

- (a) The unit of volume for the purpose of measurement, shall be one (1) cubic foot of gas.
- (b) The Total Heating Value of the gas per cubic foot delivered at the Point of Delivery shall be determined for any month by weighting volumetrically the daily gross heating value measured by the use of a standard recording calorimeter or any other mutually acceptable recording device having equal efficiency, installed by Seller at the Point of Delivery.
- (c) The temperature of the gas passing through the meters at the Point of Delivery shall be determined for any day by the continuous use of a recording thermometer so installed that it may properly record the temperature of the gas flowing through such meters. The arithmetical average of the temperature

recorded each day during the period of time covered by the meter chart shall be used in computing gas volumes.

- (d) The specific gravity of the gas delivered by Seller shall be determined at the Point of Delivery by the use of a recording gravitometer of approved type which shall be checked at least once each month by the use of an Edward's Balance or any other approved method mutually agreed upon.
- (e) The deviation of the natural gas from Boyle's Law shall be determined as follows:
 - (i) When gas is measured by means of an orifice meter or meters, the factor for correction for deviation from Boyle's Law shall be computed in accordance with the American Gas Association's tables for that purpose as published in 1955, together with subsequent amendments and supplements, using the daily arithmetical averages of temperatures, pressure, specific gravity and a representative gas analysis as required by the tables.
 - (ii) When gas is measured by means other than an orifice meter, the factor for correction for deviation from Boyle's Law shall be the square of the factor determined by following the

above described method for use with orifice
meters.

- (f) The average absolute atmospheric (barometric pressure shall be assumed to be fourteen and four tenths (14.4) pounds per square inch irrespective of actual elevation or location of the Point of Delivery above sea level or variations in actual barometric pressure from time to time.
- 3.(a) Seller shall install, maintain and operate, or cause to be installed, maintained and operated, at its own expense, at the Point of Delivery, a measuring station properly equipped with meters and other necessary measuring equipment by which the volume of gas delivered under this contract shall be measured. When orifice meters are used, such meters shall be installed and maintained, and gas volumes shall be computed in accordance with the specifications prescribed in Regulations Respecting Gas and Gas Meters, dated April 4, 1952, and Specification No. 7 issued thereunder, effective March 1, 1956, of the Canadian Department of Consumer and Corporate Affairs, Standards Branch. Where not in conflict with such Regulations and Specification No. 7, the specifications prescribed in Gas Measurement Committee Report No. 3 of the American Gas Association published April 1955, including any Appendix and/or

any amendments thereto, shall be used in addition to and in conjunction with such Regulations and Specification No. 7. If and when Buyer and Seller agree to the use of turbine meters, such turbine meters, together with auxiliary equipment, shall be of a type approved for use by the Canadian Department of Consumer and Corporate Affairs, Standards Branch or any successor thereto. When turbine meters are used they shall be equipped with a counting device for indicating the actual volume of gas passing through the meter and gauges for properly recording the pressure and temperature (relative to time) of such gas. The data recorded by such a device shall be sufficient to allow the determination of delivery volumes relative to time. They may also be equipped with a device for recording flow rate and/or a device for integrating the product of the volume of gas measured multiplied by the pressure and temperature corrections and indicating the volume of gas delivered. If an integrating device is used, correction for the deviation from Boyle's Law may be built into the device; otherwise such correction shall be applied to the volume of gas indicated.

- (b) Since Tennessee will be receiving gas for the account of Buyer, Tennessee may install, maintain and operate, at its own expense, such check measuring equipment as desired, provided that such equipment shall

be so installed as not to interfere with the operations of Seller's measuring equipment at or near the Point of Delivery.

- (c) Buyer and Seller shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with Seller's measuring equipment used in measuring or checking the measurement of deliveries of gas under this contract. The records from such measuring equipment shall remain the property of Seller, but upon request Seller will submit, or cause to be submitted, to Buyer its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
- (d) All installations of measuring equipment applying to or affecting deliveries of gas shall be made in such manner as to permit an accurate determination of the quantity of gas delivered and ready verification of the accuracy of measurement. Care shall be exercised by Seller in the installation, maintenance and operation of pressure regulating equipment so as to prevent any inaccuracy in the determination of the volume of gas delivered under this contract.

- (e) The accuracy of Seller's measuring and testing equipment shall be verified by Seller at reasonable intervals, and if requested, in the presence of representatives of Buyer, but Seller shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. Notice of the time or nature of each test to be conducted at the point of measurement shall be given by Seller to Buyer sufficiently in advance to permit convenient arrangement for Buyer's representatives to be present. Tests and adjustments shall be made in the presence of and observed by representatives of both Seller and Buyer if present. If, after notice, Buyer fails to have a representative present, the results of the tests and adjustments shall nevertheless be considered accurate until the next tests and adjustments have respectively been made. All tests of such measuring and testing equipment shall be made at Seller's expense, except that Buyer shall bear the expense of tests made at its request if the inaccuracy in the measurement of the volume and/or Total Heating Value of the gas is less than the amount in Section 3.(f) hereof.
- (f) If at any time any of the measuring and/or testing equipment is found to be out of service, or registering inaccurately in any percentage, it shall be

adjusted at once to read as accurately as possible. The volume and/or Total Heating Value of the gas desired to be measured or tested during the period in which such equipment was registering inaccurately, or was out of service, shall be estimated by:

- (i) using the data recorded by any check measuring equipment installed and registering accurately, or
- (ii) if such check measuring equipment is not installed or is not registering accurately, by correcting the error by calibration tests or mathematical calculations, or
- (iii) if the methods provided in subsections (i) and (ii) cannot be used, by estimations based upon deliveries under similar conditions during the period in which the equipment was registering accurately.

If the period in which such equipment was registering inaccurately or was out of service is not known or agreed upon, it shall be deemed to have been registering inaccurately or out of service for a period of sixteen (16) days or since the date of the last test, whichever period is shorter.

If it is determined in accordance with the foregoing that during such period:

- (i) the volume of measurement at the average hourly rate of flow is in error in an amount exceeding two percent (2%), and/or
- (ii) the Total Heating Value measurement is in error in an amount exceeding one-half of one percent (0.5%),

then the previous readings of the measurement equipment and/or the recording calorimeter, as the case may be, shall be corrected to zero (0) error in the manner set forth above and all records and billings for such a period shall be recalculated accordingly to zero (0) error. No corrections in the records and billings shall be made for errors less than the limits specified above.

- (g) The parties hereto shall each preserve for a period of at least six (6) years all test data, charts and other similar records.
- (h) Seller agrees that it will make all necessary arrangements to assure that Buyer will have access to the meter charts and other data that it may reasonably require and that Tennessee will have access to the Point of Delivery to install the equipment and do such other things as it has the right to pursuant to the provisions of Section 3.(b) of this Article X.

4. Where required by law, standards of measurement shall be converted to metric measurement.

ARTICLE XI - POSSESSION, TITLE AND WARRANTY

1. Possession of and title to gas delivered by Seller to Buyer hereunder shall pass from Seller to Buyer at the Point of Delivery. Until such delivery, Seller shall be deemed to be in control of and have title to and possession of and be responsible for such gas, after which Buyer shall be deemed to be in control of and possession of and have title to and be responsible for such gas.

2. Seller warrants that it will at the time of delivery have good title to all gas delivered by it to Buyer hereunder, free and clear of all liens, encumbrances and claims whatsoever and that Seller will indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any or all persons to the said gas or to royalties, taxes, license fees or charges thereon, which are applicable before the title to the said gas passes to Buyer. Seller agrees that as to the gas delivered to Buyer by Seller hereunder, Buyer shall also be entitled to all of the protection provided by the warranty of title set forth in each of the gas purchase contracts under which Seller has purchased such gas.

ARTICLE XII - FORCE MAJEURE

1. Neither Buyer nor Seller shall be liable in damages to the other for any act, omission or circumstances occasioned by or in consequence of any event constituting force majeure and the obligations of Seller and Buyer then existing hereunder shall be excused during the period thereof to the extent affected by such events of force majeure. The term "force majeure" shall mean any acts of God, strikes, lockouts, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and peoples, civil disturbances, explosions, breakages or accident to machinery or lines of pipe, line freeze-ups, temporary failure of gas supply, temporary inability of Tennessee to receive gas for Buyer's account, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated, or otherwise, and whether caused or occasioned by or happening on account of the act or omission of one of the parties hereto which affects deliveries of the gas at the Point of Delivery not within the control of the party claiming excuse and which by the exercise of due diligence such party is unable to prevent or overcome. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming excuse. Under no circumstances will lack of finances be construed to constitute force majeure. To the extent and for the period of

time that any event of force majeure excuses any Boundary Repurchaser from its obligations in whole or in part to purchase gas from Boundary, Boundary shall be excused from its obligation, in whole or in part, as applicable, to purchase gas from Seller.

2. Such causes or contingencies affecting the performance of this contract by either party, however, shall not relieve it of liability in the event of its concurring negligence or in the event of its failure to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall such causes or contingencies affecting the performance of this contract relieve either party from its obligation to make payments of amounts then due hereunder nor shall such causes or contingencies relieve either party of liability unless such party shall give notice and full particulars of the same in writing or by telegraph to the other party as soon as possible after the occurrence relied on.

3. In the event, as a result of force majeure, Seller is rendered unable, wholly or in part, to deliver to Buyer the Daily Contract Quantity provided for herein on any day, then Buyer shall be entitled to receive such proportion of the total impaired deliveries at the Point of Delivery hereunder as the Daily Contract Quantity bears to the sum of the daily contract quantities of gas delivered by Seller to Buyer and others at such Point of Delivery.

4. Seller's obligation to sell and Buyer's obligation to purchase gas hereunder shall be suspended during the effectiveness

of any governmental action which results in the interruption of deliveries or which prevents, totally or partially, the exportation of gas from Canada under this contract, the importation of gas into the United States under this contract, or its resale by Buyer to any Boundary Repurchaser under Exhibit "A," or its transportation by Tennessee to any Boundary Repurchaser; provided, however, that where the exportation, importation, resale or transportation is only partially prevented by the governmental action, Seller's and Buyer's obligations hereunder shall be suspended only to the extent prevented by such governmental action.

ARTICLE XIII - LAWS AND REGULATORY BODIES

This contract and the rights and obligations of the parties hereunder are subject to all applicable present and future laws, rules, regulations and orders of any regulatory or legislative body or other duly constituted authority having jurisdiction over Seller or Buyer.

ARTICLE XIV - TRANSFER AND ASSIGNMENT

Any company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Buyer or of Seller, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this contract. Seller may, without relieving itself of its obligations under this contract, assign any of its rights and obligations hereunder to a corporation with which it is

affiliated at the time of such assignment. Otherwise no assignment hereunder shall be made by Seller without the written consent of Buyer first obtained. Buyer may, without relieving itself of its obligations under this contract, assign any of its rights and obligations hereunder to a corporation with which it is affiliated at the time of such assignment. Otherwise no assignment of this contract or any of its rights or obligations hereunder shall be made by Buyer without the written consent of Seller first obtained. It is agreed, however, that the provisions of this Article shall not in any way prevent either party to this contract from pledging or mortgaging its rights hereunder as security for its indebtedness. This contract shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto.

ARTICLE XV - MISCELLANEOUS PROVISIONS

1. No waiver by Buyer or Seller of any default of the other under this contract shall operate as a waiver of a future default whether of a like or different character.

2. The headings used throughout this contract are inserted for reference purposes only, and are not to be considered or taken into account in construing the terms or provisions of any Article or Section hereof nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

3. Every notice, statement or bill provided for in this contract shall be in writing directed to the party to whom given, made or delivered at such party's address as follows:

SELLER: P.O. Box 54
Commerce Court West
Toronto, Ontario, Canada
M5L 1C2

BUYER: 110 Tremont Street
Boston, Massachusetts 02108
U.S.A.
Attn: Mr. James A. Rooney

Either party may change its address from time to time by giving written notice of such change to the other party. Any notice, statement or bill or other document made, given or delivered hereunder by mail shall be deemed to have been effectively delivered to the addressee thereof at the end of the third (3rd) business day after the date of mailing by prepaid registered mail in the United States mail or Canadian mail; provided that, at any time when there is a strike affecting delivery of either United States mail or Canadian mail, all such deliveries shall be made by hand or by telex. If any such notice, statement, bill or other document is delivered by hand or by telex to an officer of the addressee, it shall be deemed to have been received by the addressee as soon as such delivery or transmission has been made to said officer.

4. This contract shall be construed in accordance with the laws of the State of New York.

5. This contract constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any other agreements, written or oral, between the parties concerning such subject matter.

ARTICLE XVI - ASSIGNMENT OF SALES AGREEMENT; DEFAULT

1. Buyer and Seller expressly recognize and acknowledge that Buyer's obligations under this Contract to purchase gas will be matched by corresponding obligations of Boundary Repurchasers to Buyer pursuant to the Gas Sales Agreement. Buyer hereby assigns to Seller its interest in and rights to receive all amounts due to Buyer from Boundary Repurchasers under the Gas Sales Agreement for any and all periods that Buyer fails to make full and timely payments in accordance with Article VIII hereof, which assignment shall include the right to proceed directly against any Boundary Repurchaser in the event said Boundary Repurchaser defaults on any of its obligations to Buyer and, as a consequence, Buyer defaults on any of its obligations to Seller hereunder. Seller's right to proceed directly against any Boundary Repurchaser pursuant to this Article XVI shall not be in lieu of any right to proceed against Buyer for Buyer's default; provided, however, that in the event Seller obtains a judgment against Buyer for Buyer's default, Seller agrees not to seek to satisfy such judgment out of funds (other than paid-in capital) paid to Buyer by any Repurchaser not in default; and provided further that in no event shall any Boundary Repurchaser be liable to Seller for the default of any other Boundary Repurchaser on its

obligations to Buyer or the default of Buyer caused by the default of any other Boundary Repurchaser but each Boundary Repurchaser shall be liable to Seller only to the extent of its own interests and obligations to Buyer under the Gas Sales Agreement.

2. In no event shall the provisions of this Article XVI be construed as imposing upon Seller any of the obligations, liabilities or duties of Buyer under the Gas Sales Agreement.

3. Buyer warrants and represents that:

- (a) The Gas Sales Agreement is being executed concurrently herewith, and upon such execution shall be and remain in full force and effect, throughout the entire term of this contract, subject, however, to the provisions of Article XIV of the Gas Sales Agreement; and
- (b) The Gas Sales Agreement will not be amended, modified or in any way changed during the term of this contract without the prior written consent of the Seller; and
- (c) Buyer has made no previous assignment of its interest in the Gas Sales Agreement, and will not in the future make such other assignment that would in any way interfere with the right of Seller as assignee under this Article XVI.

4. Buyer shall give telegraphic notice to Seller of any and all failures by one or more Boundary Repurchasers to make any payments required to be made pursuant to Articles VIII or X of the Gas Sales Agreement, within twelve (12) hours of such default. In the event such default is cured, Buyer shall promptly advise Seller of that fact.

5. Any amendment, modification, or other change in the Gas Sales Agreement without the prior written consent of Seller, or any action taken pursuant to the Gas Sales Agreement which action requires the prior written consent of Seller and such consent has not been obtained, is a breach of this contract.

ARTICLE XVII - ARBITRATION

1. If renegotiation by the parties pursuant to Section 7. of Article VII with respect to an arbitrable provision of Article VII does not result in a mutually acceptable resolution within sixty (60) days from the date of receipt of the written notice requiring such renegotiation, then, either party may require that the matter be submitted to a three member Board of Arbitration ("Board") by serving written notice on the other party. The written notice shall contain the name of one arbitrator, the matter in dispute, the relief requested, and the grounds therefor.

2. The party receiving such notice ("Receiving Party") shall within fifteen (15) days thereafter serve written notice on the other party ("Transmitting Party"), which notice shall contain the name of the second arbitrator, an answering statement, and

other arbitrable matters arising under Article VII that are in dispute, if any. If the Receiving Party fails to name the second arbitrator, then the Transmitting Party shall do so. The two arbitrators so appointed shall name the third arbitrator, or, failing so to do within ten (10) days of the second arbitrator's appointment, the parties shall attempt to agree upon and appoint such third arbitrator. If the parties are unable to agree within five (5) days on the choice of a third party, the arbitrators who have been appointed shall be discharged and new arbitrators appointed in accordance with the above procedure and the procedure herein shall be repeated until three (3) arbitrators have been selected.

3. The arbitrators selected to act hereunder shall be qualified by education or experience to decide matters relating to the particular question(s) in dispute and shall not be employees or agents of either Buyer or Seller or their subsidiaries or affiliates.

4. The arbitrators so appointed shall promptly hear and determine (after giving the parties due notice or hearing and a reasonable opportunity to be heard) the question(s) submitted and shall render their decision within ninety (90) days after appointment of the third arbitrator. If within said period a decision is not rendered by the Board, or of a majority thereof, either party may serve notice on the other party, requiring that new arbitrators be appointed in accordance with the above procedure

and the procedure herein shall be repeated until a decision is reached.

5. Subject to the regulatory authorization provisions of Sections 7. and 8. of Article VII, the decision of the Board, or of a majority thereof, made in writing, shall be final and binding upon the parties to the arbitration as to the question(s) submitted, the parties shall abide by and comply with such decision and a judgment may be entered upon an arbitration decision in a court of competent jurisdiction. The written decision of the Board or a majority thereof may be issued with or without an opinion. If any party requests a written opinion with regard to a decision, one shall be issued expeditiously, but its issuance shall not delay compliance with and implementation of the Board's or majority's decision. Each party shall bear the cost of the services and the expenses of the arbitrator appointed by it. Buyer and Seller shall each bear fifty percent (50%) of the cost of the services and the expenses of the third arbitrator. All other costs of arbitration proceedings under this Article XVII shall be borne by the party incurring them.

6. Any member of the Board may be removed at any time after appointment, with or without cause, by written agreement of both Buyer and Seller. In the event of a vacancy in the Board due to the removal (as aforesaid) or resignation of a member of the Board who is appointed by one of the parties, such party shall select a replacement and shall give notice of its selection not more than five (5) days after the occurrence of the vacancy. In

the event of a vacancy in the Board due to the removal (as aforesaid) or resignation of the third member of the Board who is selected by the other members of the Board, the remaining members of the Board shall select a replacement member and give written notice of their selection not more than five (5) days after the occurrence of the vacancy. A new member of the Board selected by one of the parties shall accept the record of the proceeding as it exists at the time of selection, and the selection of such member of the Board shall not operate to extend the time for the Board's decision.

7. The failure of Buyer or Seller to participate in an arbitration proceeding as scheduled by the Board shall not delay the proceeding, and the Board is authorized to proceed to consider submissions, to take evidence, and to issue a decision (which shall be final and binding upon the nonparticipating party) as though such party were a participant in the arbitration proceeding.

8. The requirements of this Article XVII, may be modified or waived only with the written consent of both Buyer and Seller.

ARTICLE XVIII - PRIOR CONTRACT SUPERSEDED

On the day deliveries commence hereunder as provided in Article V, this Contract shall supersede in its entirety the Gas Purchase Contract between Seller and Buyer made on March 6, 1984 and amended on March 4, 1985.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed in separate counterparts, each of which shall be deemed an "original" hereof, but all of which shall constitute one and the same instrument and have caused their corporate seal to be hereunto affixed, attested by the hands of their proper officers duly authorized in that behalf as of the day and year first above written.

ATTEST:

TRANSCANADA PIPELINES LIMITED



By *[Signature]*
AUTHORIZED SIGNING OFFICER

By *[Signature]*
Vice-President

ATTEST:

BOUNDARY GAS, INC.

[Signature]
(Seal)

By *[Signature]*

PRECEDENT AGREEMENT TO FIRST AMENDMENT TO
PHASE 2 GAS PURCHASE CONTRACT

This Contract, to be called the Precedent Agreement To First Amendment To Phase 2 Gas Purchase Contract, is made this 31st day of August, 1988, by and between TransCanada PipeLines Limited, a Canadian corporation (herein called "TransCanada"), and Boundary Gas, Inc., a Delaware corporation (herein called "Boundary"), pursuant to the following terms, recitals and representations:

W I T N E S S E T H :

WHEREAS, TransCanada and Boundary have entered into a Phase 2 Gas Purchase Contract for the sale and export of natural gas from Seller to Buyer, dated September 14, 1987 (hereinafter the "Phase 2 Contract"); and

WHEREAS, deliveries of the Phase 2 volumes commenced on January 15, 1988, having been fully authorized by all United States and Canadian Regulatory Authorities having jurisdiction; and

WHEREAS, TransCanada and Boundary now desire to enter into a First Amendment To Phase 2 Gas Purchase Contract substantially in the form attached hereto as Exhibit A ("Amendment"), which amends the Phase 2 Contract pursuant to which TransCanada exports and sells and Boundary purchases and imports certain quantities of natural gas so that the terms and conditions of said Phase 2 Contract are uniform and consistent in all material respects with

all contracts and regulatory authorizations governing the resale and transportation of the Phase 2 volumes; and

WHEREAS, TransCanada and Boundary propose to apply for all necessary regulatory and governmental authorizations and, upon receipt thereof in a form satisfactory to the parties, TransCanada proposes to export and sell and Boundary proposes to purchase and import quantities of gas as provided in the amended Phase 2 Contract.

NOW, THEREFORE, in consideration of the mutual covenants herein made, TransCanada and Boundary agree as follows:

1. TransCanada shall use its best efforts to apply for, and seek to obtain from all Canadian regulatory authorities having jurisdiction all necessary authorizations to effectuate the terms and conditions of the Amendment.

2. Boundary shall use its best efforts to apply for, and seek to obtain from the United States regulatory authorities having jurisdiction all necessary authorizations to effectuate the terms and conditions of the Amendment.

3. TransCanada shall have sought and obtained from its producers a commitment, on terms and conditions determined by TransCanada in its sole opinion to be satisfactory, to supply the volumes of gas to be delivered in accordance with the terms of the Exhibit "A" Amendment for the full term of the Amendment and, on the basis of such commitment, shall have sought and obtained from the Alberta Petroleum Marketing Commission a finding of producer

support under Part 1 of the Natural Gas Marketing Act, being S.A. 1986, c. N-2.8, for the sale of gas in accordance with the terms of the Exhibit "A" Amendment. TransCanada shall have obtained the aforesaid finding of producer support no later than October 15, 1988; otherwise Boundary may terminate this Precedent Agreement by ten (10) days written notice to TransCanada.

4. Each party shall use its best efforts to assist the other in applying for and seeking to obtain all necessary authorizations to effectuate the terms and conditions of the Amendment.

5. Upon receipt by either party of any authorization described in paragraphs 1, 2 or 3 above, such party ("the transmitting party") shall promptly transmit to the other party a copy of such authorization and such other party shall, within thirty (30) days of receipt thereof, give notice to the transmitting party whether the terms and conditions of such authorization are satisfactory to it in its sole discretion; and thereafter, immediately following the transmitting party's acceptance or rejection of such authorization, the transmitting party shall give notice to the other party advising of its acceptance or rejection as aforesaid. Each party's acceptance or rejection of any such authorization shall be in its sole discretion.

6. Within thirty (30) days after all authorizations specified in paragraphs 1, 2 and 3 above have been received,

accepted and determined to be satisfactory by TransCanada and Boundary pursuant to paragraph 5 above, TransCanada and Boundary shall execute and deliver the Amendment in the form of Attachment A hereto.

7. Notices under the Precedent Agreement shall be sent to:

Boundary:	110 Tremont Street Boston, Massachusetts 02108
TransCanada:	P.O. Box 54 Commerce Court West Toronto, Ontario CANADA M5L 1C2

Either party may change its address by written notice to that effect to the other party. Notices given hereunder shall be deemed to have been effectively given upon the third day following the day when the notice addressed and post paid has been placed in the Canadian or United States mails. It is expressly understood and agreed, however, that any notices referred to hereunder shall first be delivered by telex, facsimile or other similar means, in accordance with the dates and time provided herein, and shall be mailed as soon as soon as practicable thereafter.

IN WITNESS WHEREOF, the parties hereto have caused this
Precedent Agreement to be duly executed by their proper officers
thereunto duly authorized as of the date first hereinabove
written.

ATTEST:

TRANSCANADA PIPELINES LIMITED

_____	content By: <u>LD</u>	<u>[Signature]</u> Signing Officer
_____	Legal By: <u>LA</u>	<u>[Signature]</u> Assistant Secretary

ATTEST:

BOUNDARY GAS, INC.

[Signature]

By: [Signature]

